Increased hope ahead of an uncertain autumn

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As we put yet another eventful summer behind us, we do so with mixed feelings. The summer began on a hopeful note when Iran and the US agreed in late June to a ceasefire and continued peace talks. Admittedly, it was already clear that the two sides disagreed on almost everything, but it was equally clear that the cost of continued conflict was high for both sides, and markets hoped that the ceasefire would pave the way for a lasting peace and a reopening of the Strait of Hormuz. Those hopes collapsed only a week or so later, however, when renewed attacks took place and the talks were suspended. Since then, little concrete progress towards peace or a normalisation of the traffic through the strait has been made.

Despite this, oil prices have not surged. Once again, the global economy and energy markets have surprised with their flexibility and resilience. Increased exports from some countries and lower imports to others, particularly to China, have helped limit the disruptions. Moreover, the Strait of Hormuz seems to be “leaking”, in the sense that more tankers are slipping through than official statistics indicate. Overall, this means that although oil prices are higher than desirable, and prices for refined petroleum products are considerably higher still, the situation has not produced the severe shock to the global economy that many feared. At least not yet.

In fact, the economic outlook looks somewhat better after the summer than it did before, despite the continuing wars in both the Middle East and Ukraine. The US economy continues to deliver steady growth of just above 2 per cent, with an additional boost from AI investment. China’s export is breaking records and, despite headwinds elsewhere in the economy, is enabling the country to meet its growth target of 4.5–5 per cent. Sweden has seen a clear acceleration, with investment, exports and – finally – consumption now jointly supporting growth. Even the euro area has surprised positively over the summer; we are revising our forecast slightly higher, albeit from modest levels.

As usual, there are therefore conflicting signals as we head into the autumn and winter. A resilient economy and more optimistic businesses and households provide grounds for hope. At the same time, risks remain. The energy situation is still precarious, with uncertain oil traffic in the Middle East, damaged refining capacity in Russia and record-low gas inventories in Europe. In addition, this summer’s drought and exceptionally low water levels in European rivers risk putting upward pressure on both food and transport prices. On the financial side, we note that US federal debt has now passed a staggering USD 40 trillion, which, together with high long-term interest rates is adding pressure to public finances and prompting increasingly forceful measures, including expanded bond buybacks and foreign-exchange interventions.

The autumn will also bring several important elections, including in the US (midterm elections in which Trump risks losing his firm grip on Congress), Sweden (where the opposition has a clear tailwind in the polls but government formation could prove complicated) and Germany (state elections that could reveal much about the country’s political future).

All in all, the coming autumn is likely to be packed with economic and political developments that we look forward to discussing with you.

This edition of Nordic Outlook also includes in-depth themes addressing the following issues:

Wishing you an informative and insightful read,

Daniel BergvallHead of Economic Forecasting
